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C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 007006

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TAGS: [PGOV](#) [SCUL](#) [ECON](#) [EAGR](#) [KISL](#) [IN](#)

SUBJECT: STRONG ANTI-INCUMBENCY TREND EVIDENT IN WESTERN UTTAR PRADESH

REF: NEW DELHI 6868

Classified By: PolCouns Ted Osius for reasons 1.4 (B,D)

**¶11. (C) Summary:** The bellwether state of Uttar Pradesh (UP) faces an election in February 2007 that could see the current Samajwadi Party (SP) government ousted and the assumption to power of a coalition government with Congress participation. Such a development would enhance political stability by further solidifying Congress and UPA control in New Delhi. During an October 7-8 stay in the West UP city of Deoband and a nearby village, Poloff spoke with executives from the city's sugar mill, farmers and villagers. They confirmed that "UP politics is sugar politics," as Lucknow sets the minimum price for sugar cane offered by the region's many mills. All expect the SP government to announce a high sugar cane price within the next few weeks in an attempt to sway the rural vote. Most stated, however, that this would fail, as anti-Mulayam sentiment is high in West UP. Villagers cited SP corruption and criminality, a lack of governance and a failure to provide electrical power as crucial factors. Most predicted that the BSP and Congress would carry the region. Interlocutors were not confident that they would be able to drive SP from power, however, as SP dominance of caste ridden "backward" Eastern UP and the continued loyalty of its Muslim supporters could still hand it a victory. End Summary

Bellwether Project: Uttar Pradesh

**¶12. (U)** New Delhi's POL and ECON sections will take the economic and political temperature of key states over the next year. Such snapshots will give us a better sense of how local trends affect national politics, and ultimately, US foreign policy goals. Uttar Pradesh (UP), one of the

Mission's bellwether states, is facing a state election in February 2007. On October 7-8, Poloff returned to the Western UP city of Deoband and the village of Rankhandi, where he had resided in 1979. While there, he visited the Deoband sugar mill and met with its Managing Director and supervisory staff and spoke with a cross-section of Rankhandi villagers about political, social and economic trends. Over the year, the bellwether project will zero-in on trends in UP, Punjab, Maharashtra, Andhra Pradesh, Tamil Nadu, and West Bengal. We hope these reports will give Washington readers better insight into: a) the vast India that lies outside Delhi's Ring Road; b) India's up-and-coming state leaders; and c) the economic, security and social trends that will determine where India is headed over the long run.

#### UP Politics is Sugar Politics

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**¶3.** (U) Deoband is in Saharanpur District in the Western part of UP, on the railway line to the pilgrimage center of Hardwar. During the British Raj, Western UP was settled by subsistence farmers, who grew wheat and subsisted on a diet of pulses (dal) and chappatis (flat bread). Cash and modern technology were almost non-existent and the villages were virtually unchanged from Mogul times. In the post-independence era, the Nehru government focused on the economic and social development of this region, instituting systematic land consolidation which brought together fragmented holdings into manageable plots. The GOI then worked with the UP state government to institute price supports for sugar, that guaranteed area farmers a minimum

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price for their sugar cane crop. The area has good soil for sugar cane, and adaptable UP peasants quickly changed over from subsistence farming to this profitable cash crop. Earning significant amounts of cash for the first time, farmers introduced mechanization, irrigation, chemical fertilizers and pesticides and new seed varieties. The sugar output increased astronomically, as farmers went from one crop per year to two and in some areas three crops, with much higher yields. At the same time, the GOI began building schools and implementing mass literacy campaigns, in an area characterized by medieval mindsets and near universal illiteracy. These developments have had a profound impact on Western UP's economic and political structure. It was not long before the saying became "UP politics is sugar politics," as politicians in Lucknow determined that they could win the agricultural vote by maintaining high support prices for sugar cane.

#### Mills Compete for Cane

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**¶4.** (C) In an October 7 conversation with Poloff, the manager of the Deoband Sugar mill (part of the Triveni business conglomerate) emphasized the rapidly increasing prosperity of West UP brought on by the sugar industry and described the far-reaching changes that have resulted. He pointed out that his plant recently completed a complete upgrade of its facilities, almost doubling output. He explained that the Lucknow government allocates a "region" to each sugar mill, as well as a quota that each region should meet. All farmers in the region are to sell to the mill in their "region" and receive the minimum support price established by the state government. As soon as a mill meets its quota, it is free to accept sugar cane from any farmer and offer prices above the state established minimum. The manager exclaimed that demand for sugar is so high that farmers are able to sell everything they can grow and mills have begun competing with each other by offering "incentive prices" well above the state-established norm.

**¶5.** (U) This intense competition has compelled sugar mills to go to extraordinary lengths to attract the loyalty of area farmers. The Deoband mill has established a "cooperative" in

conjunction with area farmers. In exchange for agreeing to sell to the mill, the mill provides farmers free advice from "district managers" who interact with the farmers on a daily basis and act as de facto extension officers. In addition, the mill provides subsidized fertilizer, insecticide and seed. If area crops are struck by insect infestation or blight, the mill provides free spraying. In addition, the mill has established a "happy store" (kushiya bazaar) for its farmer customers, in which families can buy household items, bicycles, furniture, food and agricultural inputs at cost. In addition to a complete upgrade, the mill has also just completed a 22 megawatt power plant that processes sugar cane waste into power that is then provided to the UP state grid. The mill does not use unreliable UP power, but supplies all its own power using the same method.

#### Eyeing the Public Sector

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¶6. (C) The manager had recently transferred to Deoband from a nearby public sector sugar mill. He claimed that this mill was on its last legs, as its machinery is over 70 years old and its output is laughable. This, he noted, was one of a series of "sick units" nationalized by the UP government over

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30 years ago to prevent them from failing. The plan was to invest public money to upgrade the units and get them back on their feet, but subsequent UP governments claimed that they had no funds available and allowed these units to languish unattended, while losing millions of rupees every year. The manager felt that with the sugar industry reaping such huge profits, Lucknow was under growing pressure to sell off these units to the private sector or allow them to close, as the private sector units have expanded so rapidly that these inefficient units are no longer needed.

#### All Eyes on Lucknow

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¶7. (C) The manager confirmed that the plant is currently in stasis, as Lucknow has not yet announced the minimum support price. The UP Sugar Board is currently meeting in Lucknow and will announce the price within the next few weeks. He anticipated that it will be high (up to usd 3.10 per 100 kilograms). Leading Rankhandi farmers agreed, stating that they anticipated the highest price ever for their crop. However, they complained that inputs, especially fuel for tractors and irrigation pumps, are very expensive and will significantly diminish profit margins, even with the high prices. The consensus was that with the Samajwadi Party (SP) government of Chief Minister Mulayam Singh Yadav in serious trouble and in danger of falling, he would pull out all the stops to ensure an SP victory in the elections scheduled for February 2007. Whenever UP is facing an election, they pointed out, the incumbent government raises price supports to win the farmers' votes.

#### But Unlikely to Succeed

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¶8. (C) Despite the promise of a higher price, farmers universally said they would not be voting for Mulayam's SP but either for the party of his rival, Mayawati (the BSP) or Congress. There were a number of stated reasons. Many were fed up with high levels of SP corruption, complaining that bribery and criminality were totally out of hand. Many were upset by the lack of governance. One villager pointed out that when Mayawati was Chief Minister the state civil service were required to hold meetings every week in every district to assess their performance and address local complaints and concerns. Complaint forms were available in the office of each District Magistrate and anyone could file them and receive redress. Under the SP, these practices were abandoned and there has been no accountability, they complained. Although Rankhandi is a high-caste (Rajput)

village, many expressed admiration for Dalit leader Mayawati's toughness and administrative ability and said they would welcome her return as Chief Minister. There was universal unhappiness with the power situation. Poloff was in the village for 48 hours and power was only available for approximately four hours. Rankhandi farmers have come to rely on electrically powered farm equipment, as well as radios, televisions, VCRs and even air conditioners and resented the power shortages, which they blamed on the SP. Several said that when Mayawati was in charge, power was available 24 hours per day. The cynical farmers also pointed out that if Mayawati wins the election, she will be compelled to keep sugar prices high.

#### The Regional Factor

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¶9. (C) Poloff spoke with a dozen farmers and sugar mill executives. None expressed support for the SP government. There was universal support for a change of government in Lucknow. Despite this, there was skepticism that Western UP's vote would be decisive. Many resented that an impoverished and backward Eastern UP was dominating state politics and supplying most political leaders. They claimed that with no industry, unproductive farms, and high unemployment, people in East UP relied on government handouts and patronage. They contrasted this with Western UP, where prosperous farmers and industrialists were more interested in making money than in Lucknow's corrupt politics. For us, some said, Lucknow is far away, and we cannot be bothered to go there and look after our interests. People in East UP have nothing better to do with their time. They also pointed out that Eastern UP is more populous than West UP and that in a democracy, "numbers determine the outcome." Some claimed that West UP birth rates are falling, while East UP families (read: Muslim) remain large.

#### Resentment Against Muslims

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¶10. (C) There has been a sea change in caste attitudes in Rankhandi since Poloff lived there in 1979. Caste once dominated all aspects of life, and high-caste Rajputs maintained strict caste segregation and discriminated openly against Dalits. Now, the younger generation hardly mentions caste and has little or nothing to say about Dalits and untouchability. The same is not true of communal attitudes, however. Rajputs complained about what they characterized as Muslim "backwardness" and resented what they saw as SP patronage of the Muslim community. One villager complained that every MP from the SP party in the West UP region was a Muslim. Another exclaimed that Gandhi made a serious mistake when he encouraged Muslims to remain in India and that they should have all been sent packing to Pakistan. Most predicted that UP's Muslims would vote overwhelmingly for the SP and this, coupled with the caste-ridden vote blocs from "backward" East UP could allow Mulayam to remain in power.

#### Comment: Democracy in Action

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¶11. (C) UP Chief Minister Mulayam Singh's SP supports the UPA government from "outside," but is negotiating with Left and regional parties to form a Third Front government to replace the UPA. Congress has vowed to oust the SP from power in Lucknow and hopes to join a coalition government with the BSP should it win the February 2008 election. Such a development would rid Congress of the treacherous and undependable SP and help solidify the UPA hold on power in New Delhi. In addition, Congress, which once counted UP as its essential power base, has been frozen out of power in the state by regional parties since 1989. To convince Indians that it has truly returned to its former glory, Congress must gain a foothold in the government of what has traditionally

been India's most politically powerful state.

¶12. (C) Initial soundings in West UP indicate that Mulayam Singh's political credibility has fallen to an all-time low in the region. Deoband presented a sea of BSP flags, while no SP flags or posters were in sight. UP is an enormous state, however, and Mulayam's political fortunes will not be determined by one region. Even in West UP, Mulayam could still pull off some kind of victory, as he is notorious for his use of vote-fraud and strong-arm tactics. Mulayam is

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determined to stay in power and keep his arch-rival Mayawati out of power and is capable of doing anything to accomplish his aims. With growing anti-Mulayam sentiment, the election could prove fraud-ridden and violent and a huge challenge for the Election Commission. With his electoral base shrinking, Mulayam's Muslim vote bank is more crucial than ever and he will work hard to keep the Muslims with the SP. In recent weeks, Mulayam has repeatedly stated that he sided with India's Muslims, and Iran, against "the US war on Islam." Most interpret his remarks as pure political opportunism and a mark of his desperation. Post will submit reports from central UP (Lucknow and environs) and East UP (Varanasi and environs) in the coming months ascertaining the political climate in the rest of the state.

¶13. (U) Visit New Delhi's Classified Website:

(<http://www.state.sgov.gov/p/sa/newdelhi/>)

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